

Message Text

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EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02

PA-01 PRS-01 USIE-00 INRE-00 NSCE-00 SSO-00 AF-08

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 2920

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 20937

DEPARTMENT PLEASE PASS ALL DIPLOMATIC POSTS
IMMEDIATE

E.O. 11652: GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSION FAILS TO REACH AGREEMENT
ON WORK PROGRAM

1. BEGIN SUMMARY: CIEC COMMISSIONS ADJOURNED
JULY 17 WITHOUT HAVING FINALIZED THEIR WORK PROGRAMS
FOR SECOND PHASE AS MANDATED BY LAST WEEK'S SENIOR
OFFICIALS MEETING. THIS CALLS INTO QUESTION THE
FUTURE OF CIEC OVER THE REMAINDER OF THE YEAR AND
IN PARTICULAR FOR THE SEPTEMBER COMMISSIONS SESSION.
END SUMMARY.

2. BREAKDOWN IN ELABORATION OF WORK PROGRAMS CENTERED
AROUND G-19 INSISTANCE ON HIGHLY PREJUDICIAL
LANGUAGE IN WORK PROGRAMS -- LANGUAGE WHICH WOULD IN
EFFECT HAVE PRECOMMITTED G-8 TO A GIVEN OUTCOME OF
THE WORK. TWO ISSUES OVER WHICH INSURMOUNTABLE
DIFFICULTIES OCCURRED WERE (1) TREATMENT OF DEBT
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(DIVISION BETWEEN FINANCE AND DEVELOPMENT COMMISSIONS

AND DEGREE TO WHICH G-8 WOULD COMMIT ITSELF IN DIVIDING WORK TO PRODUCING FORMULATIONS OFFERING IMMEDIATE DEBT RELIEF IN A DEVELOPMENT CONTEXT.) AND (2) G-19 INSISTENCE ON HIGHLY PREJUDICIAL LANGUAGE ON PURCHASING POWER ISSUE IN WORK PROGRAMS OF BOTH ENERGY AND RAW MATERIALS COMMISSIONS, (E.G. PROTECTION OF PURCHASING POWER IN REAL TERMS, ETC.)

3. ON THE OTHER HAND, SUBSTANTIAL ELEMENTS OF THE WORK PROGRAMS WERE IN FACT FULLY (IF NOT FORMALLY) AGREED BY COMMISSIONS. DEVELOPMENT COMMISSION HAD FINALIZED ITS WORK PROGRAM AND RAW MATERIALS HAD REACHED COMPLETE AGREEMENT ON ITS PROGRAM BETWEEN TWO GROUPS BEFORE G-19 GENERAL CAUCUS OVERTURNED THIS AGREEMENT WITH ITS NEW, NON-NEUTRAL PROPOSALS ON PURCHASING POWER ISSUE. ALL ITEMS (EXCEPT DEBTS) WERE AGREED AND PURCHASING POWER ISSUE WAS ONLY STICKING POINT IN ENERGY. EVEN ON PURCHASING POWER POINT IN ENERGY PROGRAM TWO-CHAIRMEN HAD AGREED UPON AND TABLED JOINT DRAFT WHICH CONTAINED ACCEPTABLY NEUTRAL LANGUAGE. HOWEVER, G-L9 CO-CHAIRMAN (TAHER) IMMEDIATELY ABANDONED IT WHEN IT CAME UNDER STRONG ATTACK FROM ALGERIA AND IRAN.

4. PROBLEMS OF LANGUAGE WERE CRYSTALLIZED IN G-L9 GENERAL CAUCUS WHICH LASTED MOST OF JULY 17. OUR INFORMATION ON THAT DISCUSSION IS FRAGMENTARY, BUT IT APPEARS THAT SEVERAL DELEGATIONS WERE DETERMINED TO FORCE THE G-8 INTO POLITICAL COMMITMENTS ON SUBSTANCE IN THE CONTEXT OF THE WORK PROGRAMS. WE AND THE REST OF THE G-8 HAD CONSISTENTLY AND STRONGLY PRESSED THE LINE THROUGHOUT THE WEEK THAT, WHILE WE WERE IN EFFECT WILLING TO INCLUDE VIRTUALLY ALL ITEMS ON WORK PROGRAMS FOR ACTION-ORIENTED PHASE, WE COULD NOT ACCEPT LANGUAGE IN THOSE PROGRAMS WHICH PREJUDGED THE RESULTS OF THAT WORK. THE G-L9 FOR ITS PART INSISTED THAT WITHOUT A CLEAR DEMONSTRATION OF DC POLITICAL WILL -- PARTICULARLY ON THE KEY ISSUES OF DEBT AND PROTECTION OF PURCHASING POWER -- THERE WAS NO ASSURANCE THT CIEC EVENTUALLY

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WOULD PRODUCE ANY MEANINGFUL RESULTS.

5. VENEZUELAN AND CANADIAN CO-CHAIRMEN ARE PODUCING A JOINT MINUTE WHICH WILL SIMPLY TAKE STOCK OF THE SITUATION AS IT EXISTS, NOTING THAT AGREEMENT WAS ACHIEVED IN MANY AREAS AND HOLDING THE DOOR OPEN FOR THE COMMISSIONS TO CONTINUE AS SCHEDULED IN SEPTEMBER, PROVIDING THE REMAINING ISSUES CAN BE

RESOLVED. MINUTE WILL BE DELIBERATELY FUZZY ON
QUESTION OF HOW THESE UNRESOLVED ISSUES CAN BE WORKED
OUT. THERE ARE NUMBER OF ALTERNATIVE
MECHANISMS: THE CONFERENCE CO-CHAIRMEN IN
CONSULTATION WITH THEIR GROUPS; CONFERENCE AND
COMMISSION CO-CIRMEN; ANOTHER MEETING OF SENIOR
OFFICIALS; OR MEETINGS OF THE COMMISSIONS THEMSELVES
IN SEPTEMBER.

6. HOWEVER, IT IS AT THIS POINT MOST UNCERTAIN, IF

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NOT UNLIKELY, THAT HAVING TAKEN A HIGHLY POLITICAL
POSITION ON THE TWO MAJOR ISSUES, THE G-L9 CAN OR
WILL CLIMB DOWN SUFFICIENTLY TO ALLOW SOME SORT
OF WORK PROGRAMS, FORMAL OR INFORMAL, TO BE JURY-
RIGGED AND PERMIT COMMISSIONS TO BEGIN SUBSTANTIVE
WORK AS SCHEDULED. THEY ARE NOT, FOR EXAMPLE, WILLING
TO CONSIDER DEVELOPMENT COMMISSION WORK PROGRAM AS
FORMALLY AGREED AND HAVE EXPLICITLY STATED THAT,

WHILE THEY ARE WILLING TO SAY THAT SUBSTANTIAL AGREEMENT WAS ACHIEVED, ALL FORMAL AGREEMENTS ON WORK PROGRAMS ARE HOSTAGE TO SATISFACTORY RESOLUTION ON DEBT AND PURCHASING POWER.

7. IMMEDIATE REACTION AMONG G-8 DELS, ESPECIALLY THOSE WHO WENT THROUGH APRIL PREPCON, IS ONE OF SOME PESSIMISM, ALTHOUGH ALL ARE AGREED WE SHOULD BE IN POSITION OF LEAVING DOOR OPEN. THERE IS SOME EVIDENCE THAT G-L9 DECISION TO GO TO THE BRINK ON DEBT AND PURCHASING POWER WAS NOT LAST MINUTE ONE, AND THAT IT REFLECTED CAREFULLY CALCULATED
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DETERMINATION -- AT LEAST ON PART OF SOME G-L9 DELS -- TO POLITICIZE CIEC AS PART OF BASIC STRATEGY OF CONSTANT RACHETING UP OF POLITICAL PRESSURES ON DCS. (NOTE: IN THIS EVENT, HOWEVER, IT IS NOT CLEAR WHY G-L9 PUT ITSELF IN EMBARRASSING POSITION OF HAVING TO RENEGE ON AGREED WORK PROGRAM FOR RAW MATERIALS COMMISSION,) CLEARLY, WE WILL ONLY BE ABLE TO DETERMINE WHERE IN FACT CIEC GOES NEXT AFTER EXTENSIVE CONTACTS WITHIN G-8 AND WITH KEY G-L9 COUNTRIES.

8. IN ANY CASE, IT IS NOW CLEAR THAT PEREZ-GUERRERO HAS LOST VIRTUALLY ALL CONTROL OVER G-L9. IRAN AND ALGERIA ARE BECOMING INCREASINGLY IMPORTANT, AND THE RADICAL COUNTRIES GENERALLY ARE MOVING INTO ASCENDENCY. SAUDI ARABIAN CO-CHAIRMAN (TAHER) HAS ALL BUT ABANDONED ANY LEADERSHIP ROLE OF G-L9 IN ENERGY COMMISSION. IN FACT, HE LEFT PARIS AT NOON JULY 17.

9. G-8 UNITY THROUGHOUT THE WEEK AND THIS FINAL DAY HAS BEEN GOOD. ALL AGREED ON NEED TO INSIST ON NEUTRALLY WORDED, NON-POLITICAL WORK PROGRAMS. EC AND MOST OTHERS (SWEDES EXCEPTED) WERE FULLY SUPPORTIVE OF US POSITION ON KEY ELEMENTS OF DEBT ISSUE. THERE WAS SOME EARLY EC WAVERING ON ISSUE OF PROTECTION OF PURCHASING POWER IN ENERGY, BUT G-8 DID IN CT FALL IN BEHIND STRONG US LEAD ON THIS POINT.

10. CANADIANS AGAIN PERFORMED WELL AS CO-CHAIRMEN, COORDINATING CLOSELY WITH THE G-8 AND COMMUNICATING G-8 VIEWS ACCURATELY AND FORCEFULLY TO THE OTHER SIDE.
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